

1 PHILIP MORRIS INCORPORATED  
2 1984 CORPORATE AFFAIRS WORLD CONFERENCE  
3 RYE BROOK, NEW YORK  
4 SEPTEMBER 13, 1984  
5 WORKSHOP - DEALING WITH THE ISSUES  
6 INDIRECTLY: CONSTITUENCIES

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1 \_\_\_\_\_: Good morning everybody.

2 Actually this bell is kind of funny. I'm supposed to  
3 keep on time today. And Emily said that if anybody  
4 starts talking long, I'm supposed to ring the bell.

5 But those of you who work for me knows that the bell  
6 has another signifiante, right? It means to get cof-  
7 fee.

8 I'd like to first introduce our panel  
9 members. Dale Florio is Manager of Public Affairs for  
10 U.S.A.; Bud Quinby a the end here is Director of Com-  
11 munications for Philip Morris U.S.A. Joe Blake is Senior  
12 V.P. Administrative Operations for the Mission Viejo  
13 Company. Tim Rothermel is Director of Public Affairs  
14 for PM International. George Woodward to my right is  
15 the Manager of Governmental Affairs, Field Operations,  
16 Milwaukee for Miller. Bill Merritt to my left is Director  
17 Industry Affairs on the issue of third party support, how  
18 to identify them, how to develop them, how to cultivate  
19 them. And I think if you listen carefully to Bill, not  
20 only set the stage for what I hope will be a very stimu-  
21 lating discussion, but it will also give you some things  
22 to think about when we do the case study later on in the  
23 program.

24 The case study is fascinating. Now I'll  
25 just go over it now so you can start thinking about it a

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1 little bit. It involves a cosmetic company that is  
2 under attack by a group of humane society people who  
3 are up in arms at the fact that the cosmetic company's  
4 using rabbits to test various new products. And our  
5 job is going to be to come up with creative ideas that  
6 the cosmetic company can use to help reach out for third  
7 party support to help defend itself. And what's inter-  
8 esting about this, again to have you think about this,  
9 it's truly an emotionally-charged issue. And if you re-  
10 member what was talked about yesterday, I think Mr. Pittman  
11 from St. Louis. Our opponents are using issues such as  
12 the driving while intoxicated issue to link that with  
13 every sordid type of thing you can think of such as  
14 child molesting and things like that. Somebody child-  
15 molesting somebody was drunk at the time or may have  
16 driven to the place where he molested the child. Just  
17 to make it worse for us. And this is a real tough chal-  
18 lenge. And I want everybody to give it some thought and  
19 hopefully we'll come up with some ways to save this  
20 industry.

21 After we watch the video tape of Mr.  
22 Ruder, we'll go into some deep presentations by each  
23 of the panelist. I'll begin by giving a brief overview  
24 of the constituency system. Can you hear me back there?  
25 I'll begin by giving an overview of the computerized

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1 constituency system; why it was developed, how it  
2 and how we think it might be able to help the company  
3 over the next year and over the next 20 years.

4 Each of the panel members will then talk  
5 about some of the constituent organizations that they've  
6 been working with. Why we work with them; how they've  
7 helped us in the past; how they may help us in the  
8 future and why in some cases we work with certain groups  
9 to neutralize them.

10 At the end of the presentations, we'll  
11 have some time for questions and answers. And if you  
12 have an important question you want to ask while people  
13 are talking, go right ahead. It's just what I'm supposed  
14 to keep on schedule and I'm going to try to do that.

15 What I'll then do is pass out the case  
16 studies, give you some time to think about it, and then  
17 we'll take down your suggested remedies.

18 Okay, I think we can shut down the lights  
19 and roll the tape.

20 TAPE PLAYED

21 \_\_\_\_\_: In the first place,  
22 as you have already heard this morning, we are as we all  
23 know working in a beleaguered industry. We get hit every  
24 way and from nine different sides. And we never know  
25 when the next hit is coming. But in my opinion, this

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1 is kind of like that old saying when they used to  
2 teach you on the firing range, ready, fire, aim. And  
3 then you would draw the target around where he hit.  
4 And that's us. We are always the target. We are al-  
5 ways the thing that is looked at and then after we're  
6 hit, people draw the circle around us.

7 We are in a sense so big that we're  
8 like the elephant that nobody can hide. And we know  
9 that a condition of life for as long as you and I are  
10 going to be in this business together is that we will  
11 be a beleaguered industry. And that's why we have this  
12 need for the third-party defense.

13 We have that need because we can't be self-  
14 serving, because we are a great industry. Because every-  
15 body knows that by in large and total, we are a profit-  
16 able industry. And, therefore, we are a sitting duck.  
17 And therefore, what we say about ourselves has to be  
18 received within a self-serving context.

19 So the whole question of getting third-  
20 party assistance and enlisting this whole third-party  
21 concept in our defense structure is to give us clout, to  
22 give us power, to give us credibility, to give us lever-  
23 age, to give us access where we don't ordinarily have  
24 access ourselves. Those are the kinds of things that  
25 we're looking for. And to make them useful, we have to

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1 cultivate them, we have to build them, we have to stay  
2 with them. And we have to use a process of logic that  
3 involves understanding. That wherever we are, whatever  
4 country in which we work, the society and the economy is  
5 like a punching bag. You punch it in here and it's go-  
6 ing to pop out someplace else. Our job is to under-  
7 stand that when we are punched here, where else is it  
8 going to pop out? Where else is it going to be felt.  
9 Who else is it going to impact on? Then we have the  
10 structure of the beginning of logical thinking about  
11 third-party defense.

12 And let me run through some of these key  
13 points that I've made notes on.

14 First, this whole business of third-  
15 party defense depends upon creativity. If you are not  
16 going to be creative about it, if you're not going to  
17 stretch your mind to understand this business of where  
18 the punching bag comes out, you can't do it, you can't  
19 be successful,

20 If you're not going to be willing to  
21 create vehicles to ride on, to put things together in  
22 fact to invent things that didn't exist before, coal-  
23 tions, associations, institutes, seminars, meetings, all  
24 kinds of things like that, you cannot be successful.  
25 Creativity.

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1                   Number two, it's got to involve hard  
2                   and consistent work. You've got to till the soil. You  
3                   have to meet people. You have to let them understand  
4                   your business, but gently -- don't come on too hard.  
5                   You have to work hard to understand their business and  
6                   then you have to stay in touch with them. And you have  
7                   to understand priorities so that whenever a problem  
8                   comes up or whenever you have an opportunity to choose  
9                   between people whom you're going to cultivate, because  
10                  after all time is not infinite, you pick the people, you  
11                  pick the places in the punching bag where it's going to  
12                  pop out and that's where you concentrate and you do it  
13                  continuously.

14                 There's an old story about that family  
15                 that was hired to paint the bridge in Scotland and the  
16                 father and son worked on it and it took a whole year to  
17                 paint the bridge. And by the time they got to the other  
18                 side of the bridge, they would come back to the front  
19                 end and start all over again. And that's the kind of  
20                 consistency that we have to undertake.

21                 Within your organization, there has to  
22                 be fixed responsibility. This cannot be everybody's job.  
23                 You have to put somebody in charge of it, just the way  
24                 you put somebody in charge of every other staff and line  
25                 function.

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1 And then secondly, within the same con-  
2 text, it has to have the visible participation of you,  
3 the top man in the organization when necessary. And  
4 that is fairly regularly because unless you can show  
5 these people from whom you're going to get the third-  
6 party defense, the clout and the involvement and the in-  
7 terest and the credibility, unless you're going to show  
8 them that it's important at the very top of your organ-  
9 ization, they're not going to have that same kind of  
10 priority to the problem that you do.

11 It's like a savings account. The analogy  
12 is an important thing. One has to keep on making depos-  
13 its into the savings accounts. Goodwill deposits, depos-  
14 its of getting to know people, deposits of listening  
15 to their problems, deposits of gently bringing them  
16 along about what our problems are and how our problems  
17 impinge upon their livelihood, their well-being, their  
18 economic futures and so forth. And you make those de-  
19 posits in the savings account so that when you have to  
20 make a withdrawal, the bank balance is there. You can  
21 never put yourself in the position of having to go to a  
22 third-party, an uninvolved party on an immediate basis  
23 and hope them drop everything and come to your defense.  
24 It isn't going to work.  
25

Then the question of building friends --

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1 not just logical pragmatic allies, but friends. And  
2 the only way you build friends I think is not to ask  
3 for anything for a long time. You have to start way  
4 way up front and you have to start talking to the peo-  
5 ple who look like they are the logical candidates to  
6 be third-party defenders, who look like they can make  
7 common cause with you. And bit by bit, bring them  
8 along.

9 You have to make them understand that  
10 we're interested in their problems just as much as we  
11 hope that'll be interested in our problems. You have  
12 to make them understand that what we're talking to them  
13 about is something in their interest, not just self-  
14 serving for us.

15 When you look at your own life, try and  
16 enumerate for yourself the people who are really in-  
17 terested in you. I daresay you will not come up with  
18 a lot of people. And it's the same organizationally and  
19 in this third-party defense structure. The organizations,  
20 the people, the variety of interests that are involved  
21 bump into someone who is interested in what is good for  
22 them is relatively infrequent. And we have to show them  
23 that that's how we feel about it and that's how we  
24 make friends.

25 You have to be organized. This is not a

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1 helter skelter operation. This is as organized as  
2 your marketing plan. It is as organized as your  
3 production operations are. You are great managers.  
4 That's why you're here. And this has to be a managed  
5 operation.

6 You have to try to understand whom  
7 you have to neutralize in advance, who is a potential  
8 threat to you. Not only who is a potential ally. Who  
9 is a potential threat to you and then how do you make  
10 common cause with that category of individuals or  
11 companies or group or whathaveyou so that you can neu-  
12 tralize them.

13 Example. The self-extinguishing cigare-  
14 tte. Who would normally be involved in the self-extin-  
15 guishing cigarette on the other side of the fence? Pro-  
16 bably the fire-fighting community. As you know in the  
17 United States, we have put a huge amount of time into  
18 helping all the organized groups of professional and  
19 volunteer fire-fighters. They get such help from us  
20 that it is monumental. And then when we need them to  
21 stand up and say, not cigarettes that cause fire, in  
22 99.9 percent of the cases, we get their cooperation. But  
23 that's because we have cultivated them helped them achieve  
24 some of their goals and we have seen that they are a po-  
25 tential enemy that has real credibility. That's the

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1 greatest credibility, your potential enemy. We had  
2 turned them around and made allies, third-party defen-  
3 ders for ourselves. And all of this involves a process  
4 of logic. To find the common ground, to find your  
5 natural friends; to find your natural enemies and if  
6 possible, the ways in which you can neutralize them.

7 I have a story that I always tell about  
8 this and it involves the fact that I have five children.  
9 Now when you have 5 small children at any given time,  
10 one of them has lost something. So we used to make  
11 that child stand in the middle of the floor -- he lost  
12 his hat -- and he would have to say if I were a hat,  
13 where would I be? Well if I'd were a hat, I'd get  
14 stuffed in my sleeve, I'd get jammed in my pocket; I'd  
15 get thrown under the refrigerator; I'd get kicked up  
16 under the sink. And if you keep on thinking like a hat,  
17 you'll find the hat. I'll guarantee it. Try it with  
18 your own kids.

19 Now that hat story, if I were a hat is  
20 the kind of logic and process that you have to go through  
21 in understanding how to reach these third-party defender  
22 audiences and potential allies.

23 \_\_\_\_\_: Think of yourselves as  
24 hats. As I mentioned earlier, for the past year I've  
25 been working with our operating companies and with our

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1 computer people to develop a computerized constituency  
2 system that would help us store, cross-reference and  
3 identify all of the potential resources, including em-  
4 ployees, that we could bring to bear on issues that  
5 would affect any part of Phillip Morris anywhere in the  
6 country. The system is now ready to accept data and  
7 we're beginning obviously with priority areas. We're  
8 beginning by putting in organizations, businesses, as-  
9 sociations, people we do business with who have a vested  
10 interest in the well-being of Philip Morris.

11 We're starting off with such groups as  
12 major vendors. Those vendors with whom the corporation  
13 or any of its operating divisions generally do at least  
14 \$100,000 or more in business through the purchase of  
15 materials, goods, or services. We're also including  
16 minority bankers, an important group which Bill will  
17 talk about or allude to a little bit.

18 Other groups that will be a priority  
19 entry into the system will include Miller Beer distri-  
20 butors, 7-Up bottlers, PM U.S.A. direct buy accounts,  
21 banks with whom we do business, trade associations which  
22 we work with, and organizations which we contribute money  
23 to.

24 In each instance, we want to be able to  
25 identify certain information. We want to be able to know

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1 who the senior person is. We want to be able to know  
2 the address. We want to know the phone number. We  
3 want to know what it is they sell to us or what it is  
4 we sell to them.

5 We also want to know who the Philip  
6 Morris people are that may have direct contact with  
7 these organizations, so that if the need should arise  
8 to make a contact, we would do it with the best possible  
9 person.

10 And conversely, if we're making a contact,  
11 we want to be able to reach the one or two people who  
12 can make things happen. So if you're dealing with a  
13 major vendor may not want to go to the purchasing person  
14 or to the sales person, but you may want to go directly  
15 to the top. And in some instances and the system is built  
16 to do this, for a company that's a subsidiary of another  
17 company -- I'll give you an example. 7-Eleven is the  
18 convenience stores that we do business with, we sell  
19 them cigarettes, beer, soft drinks. They're owned by  
20 the Southland Corporation. And if there were a need to  
21 activate 7-Elevens to get letters written from store  
22 managers all over a state, in opposition to a forced  
23 deposit bill, for example, you wouldn't want to go dir-  
24 ectly to that 7-Eleven store manager, but makes sense  
25 rather in my opinion to have a letter or phone call from

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1 Hamish Maxwell, from Bill Howell, from somebody at  
2 that level to the head of Southland explaining what  
3 the situation is, seeing if they would be able to  
4 help, and one way that they would be able to help would  
5 be to let the store managers know that this issue af-  
6 fects them as well as us.

7 The system also has another unique  
8 feature in it in that - I like to call it the cat in  
9 the hat program sometimes because if you think of the  
10 cat in the hat book by Dr. Seuss, one level uncovers  
11 another level. And what we're talking about here is  
12 the example Vin Buccellato mentioned this morning was  
13 quite interesting. And that was the McClain Company  
14 which is a wholesale grocer came to us and asked us how  
15 can they help us? defend ourselves against tobacco issuers?

16 This is the kind of thing where obviously  
17 McClain may have vendors that they buy from. They sell  
18 other suppliers, they may have advertising companies that  
19 do business with them. They obviously have employees.

20 We could put all of that information on  
21 our system and it would be another way of identifying  
22 people who could help us. Again, you're taking it one  
23 step beyond something direct.

24 The key feature of the whole system is  
25 an automated process that will identify in which congressional

1 district, which county, which state senate district,  
2 and which state assembly district each and every entry  
3 in that system resides in.

4 What this means is you can pinpoint an  
5 entire state senate district for example and identify  
6 every potential Philip Morris resources.

7 Employees, broken down by operating  
8 company, vendors broken down by operating company, organ-  
9 izations we give money to broken down by operating com-  
10 pany. And notice what I'm saying here -- operating com-  
11 pany. We in corporate are not going to be activating  
12 vendors, employees of any division of Philip Morris.  
13 We're here in the support capacity. What we're doing is  
14 collecting all of the information so that if an issue  
15 should arise, where Miller quickly needs to be able to  
16 pull out all of its employees in a particular state,  
17 county, city, congressional district, they'll be able  
18 to do it.

19 We're here only to support the other  
20 operating companies. Now you can perceive an issue  
21 so huge where there may be a decision made at the high-  
22 est levels in this company to activate the entire country.  
23 And something similar to that happened two years ago when  
24 we were faced with a doubling of the Federal excise tax.  
25 And I think Dale was around at that time and Dale and I

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1 received a call and said activate the entire nation.  
2 We didn't have computers then to do this. We had lists,  
3 we had things in different files. We contacted our ship-  
4 pers, we contacted our distributors. We obviously con-  
5 tacted our employees. But had we had a system such as  
6 this, we would have been able to do this much more  
7 quicker.

8 Now security is obviously important to  
9 the whole system. For it to work, there has to be a  
10 guarantee that there will be no violation of any busi-  
11 ness relationships or in some cases personal relation-  
12 ships with any of the information in the system.

13 I'll give you an example of how this  
14 could get fouled up. We have an issue pending in some  
15 state legislature and it's before the Environmental  
16 Committee. It's a forced deposit bill. The six members  
17 on the committee, two of them favor our position, two  
18 are opposed, two are undecided. The decision is made  
19 to try to put pressure on the two undecided state senators  
20 who serve on that committee. And so we go to the system  
21 and we find out that there are 16 major vendors totally  
22 in both of those districts. Now if we wouldn't check  
23 with the designated clearance person at Miller and went  
24 ahead and contacted them and ask for their help, we might  
25 not have known that two of those vendors were in the process

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1 of renegotiating their contract with Philip Morris  
2 And sure, they'd be delighted to write a letter and  
3 then come back and say, okay, I wrote that letter,  
4 now I want more money. I mean that's an extreme example  
5 of something like that happening, but obviously we do  
6 not want anything like that to happen.

7 So we've worked especially hard with  
8 our computer people and we continue to work with them  
9 to assure total security of the system. We're assured  
10 that the information in that system will be as secure as  
11 our personnel and finance records. And again, we have  
12 designated clearance people in each operating company  
13 from the Public Affairs Department to whom we would go if  
14 another operating company requested a search of another  
15 operating company's information.

16 For the whole thing to work with under-  
17 taking what I could consider an enormous task here, be-  
18 cause if this works the way we know it will work, the  
19 data base will grow large quite quickly. But one of the  
20 problems of a large data base is how do you maintain the  
21 accuracy of such a massive file.

22 We may have information in there that  
23 we put in two months ago and it's time to use it. And  
24 if we haven't checked and kept that system up-dated, we  
25 may be sending a letter or making a phone call to the

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1 wrong person, from the wrong person. And so one of  
2 the biggest jobs we're going to have with this is to  
3 set up a procedure to regularly up-date file and each  
4 segment of that file to, including employees that will  
5 be included in the file.

6 I'm very excited about this and I hope  
7 that by the next time we gather and come together, I  
8 will be able to stand up here and give you lots of exx-  
9 amples of how this has worked. Although I hope we never  
10 have to use it.

11 George will now talk a little bit about  
12 Miller's constituency system. One thing I just want to  
13 add before George starts is that what we're doing is  
14 nothing new because the company has been doing this all-  
15 along. Every time we have an issue, we always reach out  
16 to third parties wherever we can. Besides that, the  
17 operating companies themselves have sophisticated con-  
18 stituency programs. And I think Miller has perhaps the  
19 best and I think you'll be delighted to hear George talk  
20 about it.

21 GEORGE WOODWARD: Thank you Alan. Can  
22 everyone hear? I jotted a few notes down on the back  
23 of an envelope when I was riding here on the train this  
24 morning. Let me just, to make a point, tell you about  
25 an acquaintaine of mine who is an avid golfer. He also

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1 is the rabbi of a synogogue in my neighborhood.

2           Ralph Ginnsberg is the most avid golfer  
3 that I have everknown in my life and nothing stops him  
4 from the pursuit of golfing. Nothing including the  
5 highest Jewish holy days. In fact, he has joined a  
6 golf club that is about 30, 40 miles away from the nei-  
7 ghborhood and the congregation. And as I said, even on  
8 the highest Jewish holy days Ralph goes golfing. And  
9 he was out golfing one day and it was the highest holy  
10 day. And one of the angels happened to spot Ralph on  
11 the golf course. And he called to the attention of God  
12 the fact that the rabbi was out golfing on the highest  
13 holy day. And God looked down and saw that it was true  
14 and snapped his fingers and as Ralph was teeing off.  
15 Ralph teed off and the ball went through the air and right  
16 into the cup - a hole in one. And the angel looked at  
17 God and said that's punishment? And God said, who can he  
18 tell?

19           And what I'm saying is when we have a  
20 problem and when we have an issue, and I work for the  
21 company that makes the product that causes child moles-  
22 ting and sexual abuse and drunk drivers and all those  
23 other horrible things, who do we tell? Who do we enlist?

24           Let me just briefly give the structure of  
25 our Miller Brewing Company government affairs department.

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1 We have a very very small home office  
2 staff or 4, 5 professionals and we have a field force  
3 of 7 of the most talented professional government af-  
4 fairs managers that anyone could ever be blessed with.  
5 And each of those seven field people has anywhere from  
6 7 to 8 states that they are responsible for.

7 I've been one, and you have a hearing  
8 in Idaho today and a vote in the senate in Hawaii tom-  
9 orrow and an issue on the floor in Alaska this afternoon  
10 and these 7 people are spread very very thin.

11 We say we're lean and mean and that's  
12 true. But there's only so much that one, no matter how  
13 talented, how dedicated, how professional, person only  
14 so much that one person can do.

15 So you must enlist others. And let me  
16 just talk about that briefly.

17 Part of our government affairs program  
18 requires - requires and it is a part of the annual per-  
19 formance appraisal, requires those seven people to make  
20 calls. When you're not dealing with the legislature to-  
21 day because they're not in session or for whatever rea-  
22 son, you are out making calls.

23 In anticipation of problems, my industry  
24 will also always have problems. The day that my industry  
25 no longer has problems, I will be unemployed. I mean it's

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1 that simple. We work in an industry which will always  
2 have problems. We want to anticipate them. I don't  
3 want to have to start cold today with cranking up our  
4 friends out there to deal with an issue. I want to start  
5 cranking up those friends to work with an issue that I  
6 think is going to come up six months from now or may  
7 come up a year from now. They are making calls and I'll  
8 get into who they're calling on.

9 We have a plan. This is a department-  
10 worked plan as I said. And part of that plan is to  
11 identify early on potential friends. And a friend on  
12 this issue may be an enemy on that issue. That's fine.  
13 That fine. And we recognize that in our particular line  
14 of work.

15 We publish every year our department  
16 publishes every year and our field people and other in-  
17 terested folks are supplied with the most up to date  
18 list of our vendors, our bankers, our suppliers, our dis-  
19 tributors, our retailers and others. Our people are  
20 required to call on suppliers, on labor, on distributors,  
21 retailers, other natural allies and this varies. Our own  
22 employees, consumers if we can identify them. Other mem-  
23 bers of the Philip Morris family and stockholders. And  
24 I'm sure there's more on the list.

25 I've just passed out to you a form that

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2025421955

1 we use when we are making that call. And a copy of  
2 this form goes into the government affairs manager's  
3 notebook in his office and a copy comes to our office  
4 for our notebook.

5 Let me give you an example. Last year  
6 in the state of Indiana, we had an issue that has been  
7 building our way for several years and perhaps this will  
8 be our year Tom. But last year we were getting very  
9 close. We needed I believe two or three more votes in  
10 one of the houses. Tom Reed opened his book, found that  
11 we had a major supplier in the State of Indiana, a call  
12 was made to this supplier and we find that this supplier  
13 is very friendly with a legislator. Has served on his  
14 committee, has done other things, very friendly. It is  
15 in the supplier's best interest to help us. The more  
16 beer we sell, the more of whatever that supplier supplies  
17 to us will sell, we had a natural friend, a natural con-  
18 stituent.

19 We swung the vote and we won in that  
20 particular house. We lost in the other house, but this  
21 as I said may be our year to get both of them.

22 Last year in November we had forced deposit  
23 initiatives on two ballots or in two state ballots --  
24 Colorado and California. Every Philip Morris stockholder  
25 in those two states and every Philip Morris family,

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2025421956

1 Miller, 7-Up, Mission, received a letter from George  
2 Weissman briefly outlining the situation, our side of  
3 the issue and asking for their vote. We received two  
4 negative replies which ain't bad. Two negative replies.  
5 The rest were certain made the extra effort because we  
6 made the extra effort and you know all the different levels  
7 of approval and legal and whatnot to get a letter from your  
8 own company but to go all the way up and get a letter  
9 from Mr. Weissman to stockholders is a few more levels.  
10 But it's worth it, it paid off.

11 Our charge right now to the 7 government  
12 affairs managers is we see as you've heard the past  
13 several days, our issue that is building is the removal  
14 of alcohol advertising from radio, television, and per-  
15 haps we've heard them talking about billboard bands and  
16 no more signs in the window of a bar and so forth. The  
17 advertising, the electronic advertising ban and the re-  
18 strictions on advertsing at other levels has to be our  
19 number one issue and our number one priority, right now,  
20 starting this coming Monday when our people are back in  
21 their regions is to contact the natural allies first.

22 Who are the natural allies? The local  
23 ad club. The broadcasters association of greater San  
24 Francisco. The Colorado Broadcasters Association. The  
25 local regional American Advertising Foundation. Even

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2025421957



1 though so and so, such and such an ad agency or PR  
2 shop doesn't have any customers or clients in the  
3 alcohol industry, they're still natural allies because  
4 they may luck out next year and land an account. So  
5 these are our natural allies. And between now and the  
6 end of the year, we will have contacted every single  
7 one of those groups nationwide, all 50 states.

8 Now what do we contact them with?

9 Again this goes back to have a plan. We will contact  
10 them with positive information about our company and the  
11 rest of the alcohol industry. We are not promoting  
12 drunk driving. We are not promoting alcoholism. We are  
13 not promoting sexual abuse and all of these other things  
14 that we have been accused of. Rather we are spending a  
15 huge amount of money on the education, the education of  
16 consumers to enjoy our products reasonably and in moder-  
17 ation. The drunk driver is not a good Miller Brewing  
18 Company customer because he's going to wipe himself to-  
19 night and we've lost him forever and so forth. You know,  
20 the alcoholic is not a good customer because he's going  
21 to die next week of cirrhosis of the liver or whatnot.

22 We are focusing on the average person who  
23 enjoys our product in moderation. We've got a ton of  
24 literature to lay on these folks. We are contributing  
25 thousands upon thousands upon thousands of dollars to

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2025421958

1 organizations who promote the reasonableness in the  
2 use and enjoyment of alcoholic beverages.

3 The billboards, friends do not let  
4 friends drive drunk. We're putting 25,000 dollars  
5 here, \$50,000 there into these organizations. That's  
6 the story that we're going out with.

7 Finally, when it comes time to testify  
8 before a particular government body or some type of  
9 other group of civic leaders. As talented and as pro-  
10 fessional as our people are, we prefer that they do not  
11 do the testifying. They are representatives of a multi-  
12 million dollar company that is owned by a multi-billion  
13 dollar corporation. It's obvious that we have a vested  
14 interest.

15 I want to see Joe Boow who owns ABC  
16 Trucking Company add lives in that community and is a  
17 respected member of that community and get up and tes-  
18 tify and say if Miller goes under, I go under. That's  
19 going to get the attention, rather than if one of us  
20 like a carpet bagger comes breezing into the state today  
21 and makes some kind of a presentation before the legis-  
22 lative body and breezes out tomorrow.

23 So that basically is the Miller method,  
24 the Millersystem of building friends, building consti-  
25 tuencies in anticipation problems. Thank you.

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2025421959

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1                   ALAN MILLER: Thank you George a lot.

2           Bill Merritt.

3                   WILLIAM MERRITT: In reading the book  
4   Mega Trend, two very important points caught my attention.  
5   One was that in the next ten years, blacks and hispanics  
6   will make up about 25 percent of the U.S. population.  
7   And the second point was that an increasing number, they  
8   are going to want to do business with corporations such  
9   as they can form their own companies and become capital-  
10   ists, etc.

11                   When they approach corporations and they  
12   are not met with open arms, they have certain weapons  
13   that they can use against those corporations. One of  
14   which is a boycott which is used primarily by blacks  
15   and by definition, it means withdrawing economic support  
16   from that firm and then demonstrating against that firm.

17                   The other methodology or weaponry used  
18   against the corporation is selective patronage which is  
19   primarily used by hispanics and that is a more positive  
20   weapon. They chose to do business with those who who  
21   choose to do business with them. And they say it's either  
22   7-Up day or it's coke day, that kind of thing.

23                   The enlightened corporations including  
24   the 7-Up company and Miller Brewing have been doing  
25   business with blacks and hispanics for a number of years

2025421960

1 and now with the emerging trend of these organizations  
2 coming forward and asking for covenants, we signed a  
3 covenant with Operation Push on July 17, 1983 in Charles-  
4 ton, South Carolina and that included a lot of different  
5 aspects that do business with blacks and hispanics. And  
6 then Miller followed suit in June 1, 1984.

7 When we signed our covenant, it was to  
8 accelerate the amount of business we were doing with  
9 blacks and hispanics. And as such, we did form the  
10 Industry Affairs Department which I head up and its  
11 objectives are to number one, avoid the possibility of  
12 both boycotts and selective patronage, oversee execution  
13 of all facets of our covenant; improve trade relations  
14 between 7-Up and minority constituencies; and maintain a  
15 positive image in both black and hispanic marketplaces.  
16 And then assist management by all departments in the  
17 development of pro-active total marketing plans that  
18 will insure the continued sales and profit growth within  
19 the fast-growing segments of hispanics and blacks.

20 Our system in industry affairs as many  
21 many parts and I'll broad-brush them and I want to kind  
22 of isolate on a couple of areas. We have a system of  
23 commitment which starts from the CEO. Our system doesn't  
24 work until Mr. Frantel first and foremost goes for it and  
25 makes his statement of commitment and then by all levels

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2025421961

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1 everybody is following suit, from the top down. We  
2 will assist him in awareness and contact and that's  
3 kind of a third-party coalition thing. It involves  
4 our relationships with the NAACP, the Urban League,  
5 Operation Push, the OIC among blacks and then for  
6 hispanics the U.S. Hispanic Chamber, GOOLACS, Sir,  
7 GI Forum. And our methodology is just to find out  
8 what is needed in the community and find out how that  
9 relates to what we can provide and how it meets our  
10 needs too.

11 We have a system of response. If we're  
12 contacted by minority suppliers, we guarantee them a  
13 response that we have received your inquiry within  
14 three days by utilizing the 5520 IBM computer and also  
15 linking with Commodore 64's, we have a 99 percent per-  
16 formance level in getting a response back to that per-  
17 son within three days. That's important to minorities.  
18 They do not want to be ignored and they want to know  
19 that we have received their inquiry.

20 Within ten working days, we have looked  
21 into that inquiry and have taken our position and also  
22 responded back to everybody.

23 That's just good business.

24 We have a system of follow-up whereas  
25 we put our dollars, our manpower and all of our support

2025421962

1 behind those pieces of business that we elect to go  
2 into. We have a system of reporting in management  
3 to make sure that the commitments that we've made are  
4 actually being done. We meet once a month in a review  
5 board and managers from all the various departments  
6 that are involved are there to give their piece.

7 We also have a system of recognition.

8 If our people are helping to (1) forestall any of the  
9 bad things and also to promote the good things about  
10 7-Up in terms of its commitments, then we want to reward  
11 them by recognizing them. So when you see our PR in  
12 the papers about a major piece of business we're doing  
13 with blacks and hispanics, you'll see a white face or  
14 two in there, a manager who went out of his way to make  
15 sure that that contract was actually executed.

16 We have what we call the President's  
17 Breakfast. Once a month, the president meets with  
18 employees to give them top hand information about our  
19 commitment across a broad spectrum of issues. We have  
20 what we call the president's award for outstanding  
21 performance. In that way, we can also recognize peo-  
22 ple.

23 We have a system of cross-communications  
24 and networking. If we've made a covenant with Operation  
25 Push and with blacks and hispanics and so has Miller,

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2025421963

1 well also has McDonalds, Burgher King, Coke, Hugh  
2 Blind, Southland have made the same kind of commit-  
3 ments, the same type s of covenants.

4 Well, 7-Up and Miller are in the same  
5 family. McDonalds is one of my biggest customers.  
6 Burgher King is a huge customer and Hugh Blind is well,  
7 on the boarderline and we won't talk about Coke.

8 Now we've chosen to network with friendly  
9 companies like Miller add also with customer companies.  
10 Now what this means is in the case of Burgher King, we  
11 actually export it to Burgher King our entire execution  
12 format. And within one week, they were up and running  
13 with the same system that 7-Up had developed in order  
14 to executé its covenant.

15 The same is the case with Southland.  
16 And there was a way where we had increased our relation-  
17 ship with our customer companies and given them a way  
18 of solving their problem.

19 Further, we're beginning to share in-  
20 put supplier information by linking our computers with  
21 theirs. If they've got a good supplier for chemicals,  
22 they'll call us up and say, hey take a look at this guy.  
23 If we have a good supplier of packaging, we network  
24 back and forth. So the networking is between customer  
25 companies. But we also do the same kind of networking

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2025421964

1 for blacks and hispanic suppliers. If I can't do  
2 business with a black supplier or its bank supplier,  
3 I don't just turn them off and say no, we can't do it  
4 because they believe that we buy so much, that why can't  
5 you buy from us? But I'll turn them around and say,  
6 please contact so and so at Southland, I think he might  
7 be able to use your business.

8 This approach enforces a much closer  
9 relationship with our customer companies and at the  
10 same time, it helps promote 7-Up.

11 I'll give you a couple of examples of  
12 how this third party coalition kind of works in the mar-  
13 ketplace. For example, with McDonald's in St. Louis, we  
14 go into a program called the All American Highschool  
15 Review. It's an entertainment program for highschool  
16 student in their general assemblies. And there's a lot  
17 of dancing and music and whatnot. But it provides an  
18 atmosphere where leading black opinion makers and busi-  
19 nessmen can come in and address students and say why  
20 they should stay in school; talk about their particular  
21 business. We also have the opportunity there to get  
22 increased distribution on vending in the high school.  
23 If Coke has a vendor there, we get the 7-Up vendor. Or  
24 we get a like vendor.

25 We also pass out McDonald's coupons so

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2025421965



1 that if you're going to go to McDonalds to look for  
2 the best hamburger, but also get a 7-Up and it's  
3 worked very well in St. Louis. And we look forward to  
4 exploring that kind of a program to other markets as  
5 well.

6 The General Motors story is another  
7 example of how the third-party coalition with your cus-  
8 tomers works out very well. With Southlands' represen-  
9 tative, the guy who does the same job as I do and with  
10 the guy from Hugh Blind, at the OIC convention we jumped  
11 on General Motors to say that if we are going to leverage  
12 the purchase of automobiles because we do buy through  
13 Fleet, but we can have an influence on where the fleet  
14 or the lease company will buy their cars. We wanted to  
15 buy more cars from minorities. And we do not want the  
16 cars coming in late or the trucks coming in late with the  
17 door handles in the wrong place. And what happens is  
18 the companies then jump on the minority dealers and say  
19 you didn't do your job right, or the leasing company and  
20 say you didn't do your job right, when in effect, it's  
21 General Motors ford, or Chrysler who didn't give us and  
22 the minority dealers a priority status. And that's what  
23 we were trying to influence. So here's three or four  
24 major corporations who went to General Motors at one time  
25 and within three days, we had on our desk a complete map

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2025421966

1 of all minority dealers, of commitment on the part of  
2 General Motors to help.

3 We have a system of concentrated market-  
4 ing and corporate affairs at 7-Up that I'd like to touch  
5 on. It's another example of a third-party coalition.  
6 We have 465 bottlers and what we do is that we recog-  
7 nize that when we give to the minority community, we  
8 also get. And we give where we can get.

9 We ask for the order whenever possible  
10 and we tend to do business close to home and where we  
11 have operating plants. And then thirdly, in key high  
12 minority population markets. So we channel our meager  
13 corporate affairs resources into those markets that have  
14 been mutually determined by brand management and corpor-  
15 ate affairs to be high-priority markets. Therefore, to  
16 us social sense can make better business sense in our  
17 social program dollars are working in concert with mar-  
18 keting efforts for maximum impact and leverage against  
19 black and hispanic constituents.

20 An example of how that works, I might  
21 hold media dollars, let's say 4 or 5 hundred thousand  
22 dollars worth of media dollars off to the side. Go for-  
23 ward to key market bottlers and say look, in order for you  
24 to help us to achieve our goals, if you will co-op with us  
25 on a 50/50 basis on these five minority promotions, which

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2025421967

1 are going give you increased sales and profits and us  
2 too, we have an offer for you. We will at 100 percent  
3 our cost, put in an additional minority media in your  
4 market with creative that we mutually agree upon. And  
5 if you go with that, we have another gift. Our corpor-  
6 ate affairs dollars for sponsorships will also be funneled  
7 through to your markets and give you a high priority.

8 Basically in Chicago, Baltimore, Wash-  
9 ington, Philadelphia, New York our bottlers are not going  
10 to say no.

11 We also have a system of 7-Up and I'll  
12 end with that, of saying thank you. And to us it's  
13 very very important whenever we address our constituency,  
14 to say thank you for being the loyal patrons of 7-Up  
15 products that you have been. Thank you.

16 MR. MILLER: Bill, thank you. I think  
17 it reinforces everything we've heard so far, particularly  
18 what Bill Ruder said at the beginning -- getting to know  
19 our third parties, getting to finding out from them what  
20 is of interest to them. What is their concerns. And I  
21 think what Bill just talked about with the last example  
22 with the hispanic example of what Bill Ruder was talking  
23 about.

24 Jeannine Dowling...

25 JEANNINE DOWLING: Thank you Allan. Can

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2025421968

1 you hear me, I hope?

2 I'm supposed to talk about Philip  
3 Morris Inc.'s overall involvement with women's organ-  
4 izations. And I must preface all of this with saying  
5 that I work in corporate and that I work very closely  
6 with some women throughout the corporation and that  
7 what I am going to talk about now is a compilation and  
8 a concurrence of our opinions and our experiences with  
9 women's organizations throughout the country. They  
10 would be the Philip Morris USA people Kirsty Thompson,  
11 Eileen Roberts and Maria Herrera, and at Miller Sonnie  
12 Jones.

13 I'd like to first begin by saying that  
14 we have basically categorized the women's organization  
15 and Philip Morris' involvement into three different  
16 areas of women. And those would be those groups that are  
17 politically identified; those groups that are profes-  
18 sional in nature. That means the people are coalescing  
19 around a particular profession such as communications or  
20 government relations and the third group for lack of a  
21 better phrase I would call the activist groups and those  
22 are the ones you read about the newspapers. That's NOW  
23 and the National Women's Political Caucus.

24 Beginning first with the political groups  
25 since they are the most obvious targets for us in terms of

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2025421969

1 giving us an immediate return on why we want to deal  
2 with them there are those organizations that have women's  
3 groups within them such as National Conference of State  
4 Legislatures. They have a women's network which is  
5 fairly newly-formed, probably 4 or 5 years. Within the  
6 National League of Cities they have a women's organiza-  
7 tion also. Almost all of the major government organiza-  
8 tions which Dale will talk about have a women's group.

9 Some of them are active and some of them  
10 are worth pursuing and some of them are just little coffee  
11 clutches. We're learning more about them as we go along.  
12 They are new to the organizations and they are new to us.

13 Then you have the groups such as The  
14 Women's Research and Education Institution which is di-  
15 rectly related to the congressional Caucus for Women's  
16 Issues. These are members of Congress who have formed  
17 a caucus just as you have the hispanic caucus and the  
18 black caucus and we have been working closely with them.

19 Another example would be the National  
20 Women's Political Caucus, those the focus of this group  
21 is to basically elect more women to legislative positions  
22 on the national, state and local levels throughout the  
23 country.

24 Similar to that would be the Women's  
25 Campaign Fund which is a political action committee that

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2025421970

1 is dedicated only to electing women to office. That's  
2 broad brushed look at the political groups.

3 The professional groups include as I  
4 said before Women in Communications, Financial Women's  
5 Associations. There's the Cora Foundation which is  
6 dealing, we're involved with them through a leadership  
7 training program for hispanic women. You have the co-  
8 alition of 100 Black Women. You have the National  
9 Conference of Puerto Rican Women. You have the Coalition  
10 of Labor Union Women. The list is endless.

11 Some of them are very active, some of  
12 them you've seen in the newspaper. Some of them are  
13 receptive to corporate donations, some of them are not.  
14 Some of them like dealing with corporations, some of  
15 them solicit corporations, most of them solicit corpor-  
16 ations.

17 Then there's the old stand-bys such as  
18 the YWCA, the Girls Scouts of America, etc.

19 With all of these organizations, we try  
20 to do what Bill Ruder referred to. If we are involved  
21 with them, we try and be creative in our involvement and  
22 we try and scope out their priorities and see how they  
23 match our priorities.

24 In all of this, we try and come up with  
25 programs that will aid them, aid us, give some of us, all

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2025421971

1 of us some press coverage, give us access, make friends  
2 in essence and lead us to the other people who are in  
3 essence the public opinion leaders and the people who  
4 are regulating and affecting the sale of all of our pro-  
5 ducts.

6 A couple of examples of the more unique  
7 programs that we've all become involved in would be:

8 1. The National Women's Political Caucus,  
9 we publish their directory with Women Elected Officials.  
10 This began I guess we're in our third printing. We do  
11 it about every other year now. This is an actual direc-  
12 tory. The first time it's ever been put together. They  
13 approached us. We were glad to have the opportunity.  
14 It is a directory of every woman legislator, every woman  
15 who's a county official, every woman who's a major, for-  
16 mer members of Congress and present members of Congress.  
17 It's a very impressive directory. That in and of itself  
18 is not nearly reason enough for Philip Morris to have  
19 become involved in it.

20 We distribute it. The copywrite belongs  
21 to the National Women's Political Caucus and you talk  
22 about priorities. Their priority was that they get  
23 credit for it. That's fine with us. Our priority is  
24 that we get to distribute it and open pathways of com-  
25 munications with the people who are listed within the

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2025421972

1     diractory.

2                     To that end, we send it out under dif-  
3     ferent peoples' signatures to every woman listed there-  
4     in so first of all the first time they got it they  
5     were amazed. Most of all, they were just thrilled, no  
6     one had ever put their name in a book. This book was  
7     all their own. There hadn't been another corporation  
8     who had singled them out for that kind of recognition.

9                     A brief asside, Women's Involvement in  
10    Politics very much obviously is in the news right now.  
11    But just to give you an example of how new it is or how  
12    much of a concentrated issue it is, they have only been  
13    compiling facts of women in legislatures, women who have  
14    actually served in state legislatures for ten years. We  
15    couldn't get any facts that went beyond ten years ago.  
16    We've gone up 12 percent. There are probably 1000 woman  
17    legislatures now, and it's increasing obviously. In  
18    members of congress there are I think on the average about  
19    30 women running for -- well the primaries just happened  
20    and I haven't been able to keep up, but approximately 20  
21    to 30 women who are running for federal positions as  
22    well. So it's new. The woman are new to politics and  
23    corporations are new to courting the women in politics  
24    and the women in the organizations. So by our becoming  
25    involved and signing up early with the National Women's

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2025421973



1 Political Caucus, it helped our image as a socially-  
2 responsible corporation playing on what Bill had said  
3 before. It gave us a tremendous edge with many of the  
4 women listed within the book. AND most of all, it helped  
5 us with a very very active political organization, the  
6 National Women's Political Caucus. They lobby, they  
7 have their own agenda. They have active contacts.  
8 They have state caucuses in all 50 states. And they're  
9 active very much in federal affairs. So they are a good  
10 ally for us to have, a new ally but a good ally.

11 Another example I mentioned before would  
12 be the Congressional Caucus for Women's Issues. They do  
13 fellowships. They actually take women who have been  
14 involved in various aspect of public service and bring  
15 them to Washington, assign them to a member of Congress  
16 to work for that member of Congress, to research women's  
17 issues on that congressperson's staff in conjunction with  
18 George Washington University.

19 We sponsor two of these fellowships. We've  
20 done this for three years so we've had 6 people. Presently  
21 three of them have been offered permanent positions  
22 with the members of congress with whom they have worked.  
23 That is access right there. You can't ask for better  
24 access. That's a creative, we think, way of dealing  
25 with and gaining access and getting to know the people

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2025421974

1 who are making decisions.

2 We also have begun a policy where we  
3 bring the fellows up to Philip Morris headquarters  
4 in New York. Eventually we'd like to bring them  
5 around to the operating companies as well. So that  
6 they can meet the executives and they get an idea of  
7 what corporations are like.

8 Again, I will go back to this several  
9 times, these women, many of them, their legislative  
10 experience far outraches any kind of business experience  
11 they might have had. Some of them used to work for NOW;  
12 some of them used to work for their local ERA campaign;  
13 some of them work for members for congress within their  
14 own districts. But a business enterprise, a capitalis-  
15 tic corporation such as Philip Morris is not something  
16 that they have very much information about or they just  
17 don't care. You bring them to New York and you show them  
18 your line of products. Some not happy to say, but it's  
19 getting to say, but some of them don't even know our full  
20 line of products. You bring them in; you talk to them;  
21 you talk about your issues; you get and know them and all  
22 of a sudden lights go on. They understand what it's all  
23 about. They're new to it and we're helping to hopefully  
24 acquaint them with the quid pro quo system of how govern-  
25 ment and business can work together effectively.

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2025421975

1                   Another example would be the National  
2 Association of Negro Business and Professional Women.  
3 We just had a, we have been involved with this group  
4 for a very long time. Just recently, actually it was  
5 just last month in Atlanta in working with this particular  
6 group, we sponsored an awards program. They wanted to in-  
7 itiate an awards program so we did the award, did the  
8 reception, helped plan the speakers program, got some  
9 of our Miller people down there to give the presentation.  
10 Actually Rev. Jessie Jackson was there and ended up as the  
11 speaker which was a nice touch, but you can't always count  
12 on that kind of luck.

13                   At any rate, it was another creative  
14 approach. We made a lot of friends and obviously awards  
15 programs are not necessarily new, but that you can begin  
16 one and thereby make your relationship or your contri-  
17 bution to the organization substantive in nature helps  
18 a lot.

19                   In that particular instance, the payoff  
20 was even better. I mean the return on our investment  
21 there, we had an issue in Washington, D.C. and the presi-  
22 dent of the NANBTW went to testify on behalf of Philip  
23 Morris in Washington, D.C. She has good feelings about  
24 the company and obviously was willing to put them on the  
25 line.

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2025421976

1 Another example would be working even  
2 with the YWCA. They approached us and they said we  
3 need someone to do a presentation for our annual  
4 luncheon. Very quickly we put together a video tape  
5 we had Marlene Sanders come and interview three women  
6 about women in leadership. This was two years ago.  
7 We've since publicized that tape. We have 35 of them  
8 in distribution. It was a very inexpensive project but  
9 one that has incredible outreach. It's being shown in  
10 other corporations. It's being shown by political can-  
11 didates. It's being shown in government agencies through-  
12 out the country. We've - it's not just come and we give  
13 you the tape. It's that we ask for their comments back  
14 and we keep a communication line open with them. That's  
15 another example. We should probably up-date the tape.  
16 People are amazed. They're very very happy to have that  
17 kind of involvement from us.

18 On the activist side, we've been involved  
19 with the women's Equity Action League just as one example.  
20 This is a lobbying organization on, based in Washington.  
21 It's a membership organization and on its face you would  
22 think that this would not be a natural ally for Philip  
23 Morris or why are we are involved? That's the question  
24 that happens often and often. You're involved with them  
25 because they are, while you may not agree with them in all

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2025421977

1 of their issues, obviously you try and find those  
2 issues on which you can agree. And from their per-  
3 spective, they needed early corporate support. We  
4 were, let's see we began our relationship with them  
5 5 or 6 years ago. Through their dinner, they also  
6 give awards to women in business and achievement.

7 That has been a relationship that has  
8 paid off very very nicely all along, because they them-  
9 selves are lobbyists, and they have personal touches and  
10 personal ties with members of Congress in Washington, DC,  
11 and throughout the country. When we have a problem as we  
12 did on the excise tax, we can call them. Now they are  
13 a small group so their impact is not going to be felt  
14 widely, but you can also ask them for their suggestions.  
15 You can say to them, this is the problem. This is the  
16 situation. And just, it's just what we want. We get  
17 them to listen to us. And we get access to other people  
18 by virtue of our association with them.

19 Those are a couple of the examples, and  
20 I've explained the benefits as I've gone along. But  
21 I'd like to say that those are the immediate payoffs.  
22 That's what we get automatically. And talking with  
23 Sonnie, Kiersty and everybody else, they've said that  
24 their interaction with women, especially women in the  
25 political arena has gotten them access on another level.

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2025421978

1 Sonnie was talking to me about the California elected  
2 Women's Association. California's a big state. Sonnie  
3 was new to Miller and government affairs down there. And  
4 she sponsored a couple of receptions for them. All of  
5 a sudden, she's got phone contact with the people that  
6 are making the decisions in her state. And she might  
7 not have had that contact without the interaction we had  
8 with the women's group as a whole.

9 Throughout all of this, Sonnie and a  
10 couple of other have said that in some instances, the  
11 women might be more of our natural enemies instead of  
12 allies. The strain of anti-alcoholism is certainly with  
13 all of the press about women and smoking runs pretty  
14 strongly in them. So if you can neutralize that and  
15 better than that, have them appreciate you and understand  
16 your motives by going sort of around the sensitive issue,  
17 then you've even made a better friend, you've made better  
18 use of your corporate affairs and your public affairs  
19 dollars.

20 Also, it helps again I have to say this,  
21 a lot of the women are not familiar with business. They  
22 look at me and they say Philip Morris and you say Miller  
23 Beer and 7-Up and all of a sudden they relax in some in-  
24 stances. You're able to give them something else to hang  
25 their hat on. You neutralize some of the smoking, if they

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2025421979

1 have anti-tobacco feelings, you neutralize that and  
2 give them a way to support you. Help them understand  
3 what you're about, put a smile and a face on the name  
4 of the corporation so that if you need them or even if  
5 they see our name in the paper, you want them talking  
6 about you even when you're not there. That's truly the  
7 benefit. The Women's network, all of these groups at  
8 one point or another interact. Whether it's at confer-  
9 ences in Washington or what have you. Philip Morris to  
10 them is pretty much a household word.

11 We have Philip Morris of course, has  
12 had the foresight to be as innovative as it has been  
13 and to identify these organizations and women as a con-  
14 stituency to be dealt with.

15 When I first began with the National  
16 Women's political caucus, there were very few other  
17 companies there. All of a sudden Brown Williams and  
18 Anheiser Busch, you can't even get in. I mean they  
19 have more sponsors than they know what to do with. But  
20 Philip Morris because of our early involvement, we get  
21 the choice pick. If we want it, that's fine. They come  
22 to us first. Which is nice.

23 MR. MILLER: Gene, if you could just  
24 wrap up because we're running a little behind,  
25

JEANNINE DOWLING: Okay. The only other

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1 thing I wanted to say is that we anticipate that there  
2 will be more payoffs as the women themselves mature, as  
3 the organizations mature and as we work more closely  
4 with them for a longer number of years. We have to  
5 understand that their priorities as they have to under-  
6 stand ours. And you have to remember that a lot of  
7 these women, including the state legislators, they came  
8 from home. They didn't come from business. So you have  
9 to get to their mindset and try and help them and try  
10 to get the businesses of the country to understand where  
11 they're coming from so that you can appeal to them and  
12 to their needs. Thank you.

13 MR. MILLER: That was excellent. I wish  
14 we had more time to continue because obviously once we  
15 start the process of talking about constituencies, we can  
16 talk about hours about. And I hope that we can continue  
17 this in private discussions and in questions and answer  
18 period afterwards. An excellent presentation.

19 Now we're going to hear from Joe Blake  
20 from Mission Viejo in Colorado. He's going to bring  
21 the perspective on constituency building in the home  
22 building industry.

23 JOSEPH BLAKE: Thank you. Allan is very  
24 nervous this morning because he knows that we're going  
25 to sedate you if we keep on going and you won't be paying

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1 attention to the case study that he has so carefully  
2 developed. So I'm going to be as quick as I can getting  
3 through my part of this.

4 We're talking about indirect constitu-  
5 ency development, not direct. Because the people who  
6 deal in indirect third-party development are shy, they  
7 are too careful and they are probably too macavelian  
8 to be involved with the world of direct involveent.

9 The direct involvement has a bearish  
10 story which may be somewhat approcrifful, I don't know.  
11 Frank Saunders would know whether this is approcrifful  
12 or not. But it involves the meeting that was held in  
13 Lake Wolbigone, Minnesota in March of this year where  
14 the National Cheese Board met to have their annual price  
15 fixing meeting. ANd following the price fixing meeting,  
16 the executive director had a chart and he pulled it out  
17 and he said I want to show you what's happening to the  
18 share of the cheese market in the nibbling market. He  
19 said it is absolutely going down. 1980 we had aout 38 per-  
20 cent and now with the rise of peanuts and nachos and all  
21 these other little finger foods, we're down to about 18  
22 percent of the nibbling market. And if things keep going  
23 this way, we're going to be out of business in the cheese  
24 business. What do we think we ought to do about it. Well  
25 they had a clever group of people sittig around somewhat

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1 like this. And after a moment of pause, someone raised  
2 their hand and said I have a spectacular idea. What is  
3 it? And the fellow said I think it would be terrific  
4 if we could go the direct legislative route and get a  
5 simple amendment to the Lord's Prayer so that the Lord's  
6 Prayer would read give us this day our daily bread and  
7 cheese. Spectacular idea, they called their Gouchy  
8 clad lobbyist down in Washington and suggested this and  
9 the lobbyist allowed as he was well-connected with the  
10 cardinal in charge of liturgy in Rome. So they said al-  
11 right Frank, you can go up to \$300,000. See what you can  
12 do. So off he went. He meets the Cardinal in charge of  
13 liturgy in the Plaza. They sit down to have a little  
14 lunch. The cardinal carefully tucking in his red robes  
15 over the top of his broganze. He's leading into the pasta  
16 and our friend says, Cardinal, I have a very simple request.  
17 We are prepared to offer up to \$250,000 to the Pope's favor-  
18 ite charity if we can get this simple amendment so that  
19 it will read give us this day our daily bread and cheese.  
20 At which point the cardinal spews out the pasta, becomes  
21 quite agitated and pulls him back and sits him down and  
22 says alright, actually he said, cardinal, I'm prepared to  
23 go up to \$300,000. Which point the cardinal spews out his  
24 wine that he's been able to sit for a minute, start leaving  
25 the table and friend, the lobbyist pulls him back and says,

2025421983

1 cardinal, sit down. Let's talk about this as gentle-  
2 men. First of all, how much did the bread people give  
3 you?

4 We're talking about constituency build-  
5 ing third-party support, third-party defenses. And I  
6 think the approach that I would like to take briefly  
7 this morning is the question to develop and to build  
8 a constituency, I think it's important that you consider  
9 becoming a part of that constituency. Too often I think  
10 we are not perceived as becoming directly involved in  
11 interests and efforts that are not only important to us  
12 but are important to our communities, to the people with  
13 whom we work and try to sell our products.

14 From Mission's point of view, from a  
15 home community developers point of view, I think it's  
16 important also that you would see that ordinarily this  
17 corporation has problems taking its products to people.  
18 We have a problem of bringing people to our products. We  
19 have got to legitimize those communities. We have got  
20 to make those communities look like neighborhood, like  
21 communities that are well-balanced, well organized, well  
22 planned and predictable. And communities in which people  
23 are happy to live.

24 So our efforts are to bring people to  
25 our communities. Once in a while we'll luck out and

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1 if we've done our job right, we'll find as we found  
2 this summer, that national television carries the  
3 olympics from Mission Viejo California. And millions  
4 and millions of people heard glowing third-party tri-  
5 bute from all tributes, the media, talking about  
6 what a delightful-well-planned, well-thought-out  
7 community Mission Viejo, California is. That is when  
8 you've done the job well and done it historically as  
9 best you can.

10 I think sometimes we also tend to forget  
11 the fact that as the politicians know, there is no such  
12 thing as a permanent ally. There are permanent inter-  
13 ests. And around those permanent interests, you develop  
14 your allies. Once in a while, our foreign policy becomes  
15 incoherent because people forget the fact that we no  
16 longer have concurrent permanent interest with people  
17 we thought were our allies, and therefore, we find our-  
18 selves embarrassed or cannot understand why they're not  
19 helping us do certain things.

20 If you know what your permanent inter-  
21 ests are, if you understand what their permanent inter-  
22 ests are and you try to talk together about how you can  
23 make those alliances, then it's amazing. Sometimes it's  
24 serrendipity, but sometimes it's just plain good work  
25 that you find third-party defenses coming from people

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1 that you did not expect to have happen.

2 Let me give you an example. A year or  
3 so ago in the Colorado legislature, a bill was offered  
4 to try to extract development fees for a developers  
5 for the purpose of constructing new residential hous-  
6 ing. Now the ordinary course of things would say that  
7 that would be terrific, that the constituency would say  
8 new growth ought to pay its way and that is a debate that  
9 we have all the time because they would love to have  
10 new growth pay for everything. And the last person  
11 in is free to go without having to pay any fee at all.

12 That was gaining some currency. And we  
13 said how can we deal with this a little bit more effectively?

14 It turned out that some had had a good  
15 and long-term relationship with an inner-city housing  
16 program, the Highland Neighborhood Housing Services  
17 Program and NHS programs were talked about a little bit  
18 yesterday by the mayor of Louisville. We had developed  
19 a good relationship with those people, not only serving  
20 on the board of directors, volunteering our time and money,  
21 both personally and a little bit of the corporate money to  
22 show good faith in the inner-city, and so when the time  
23 came that this bill was being touted about as the panacea  
24 to development and making development pay its way, we went  
25 to those people and said hey look, if there's new housing

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1 going on in Denver, that's going to hit the problem  
2 of affordability. And if we lay on additional costs  
3 on affordability for housing for the low-income people,  
4 it's going to make it impossible for people to live and  
5 work in Denver in new housing.

6 They jumped on that. Here was a mutual  
7 interest. And we were able to work with that group to-  
8 gether with the Colorado Mortgage Bankers together with  
9 the Colorado Savings and Loan League together with the  
10 Colorado Association of Housing and Building to turn that  
11 issue completely away from new housing and new develop-  
12 ment.

13 So what I'm suggesting in terms of deal-  
14 ing with permanent issues is that it can be done positively  
15 and it can be done in advance if you'll be working with  
16 some of the community groups.

17 John Shipper who is here and who represents  
18 Miller very effectively in government relations in Colorado  
19 is aware of the fact that in Colorado, and George, we have  
20 the benefit of being able to work in one state rather than  
21 in 5 or 6 or 7. But in Colorado we have a governor who is  
22 a democrat and a very strong republican legislature which  
23 is constantly contending against the governor. The governor  
24 was able through some very adroit appointments, to create  
25 some planning groups that were dealing with business issues

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1 and future planning. And the Republicans were getting  
2 grumpy about that subject because they were saying our  
3 natural allies we thought were the business community.

4 We went to them and said you know, it is  
5 your natural constituency, but Mr. Speaker, what we think  
6 makes some sense is that you ought to be trying to appoint  
7 some business people to various interim study groups and  
8 study committees, that are created by the state legislature.

9 And the speaker thought that was a super  
10 idea. And we said we'll go one step further. We'll  
11 supply you with some names of business groups and names  
12 of some people who are influential in the Denver business  
13 community down the line will undoubtedly be of help to  
14 you.

15 Great idea, the speaker bought it and  
16 for the first time we have a situation or had a situation  
17 two years ago where the interim committees had non-legis-  
18 lative members supplied with business leaders, the names  
19 of which we had given to the speaker.

20 The governor is keenly interested in  
21 the matters of state personnel reform. We worked to  
22 get on that committee to organize the effort to develop  
23 an initiative to overturn the existing system on state  
24 personnel matters, procedures. Then official to us be-  
25 cause we studied what it was that was important to the

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1 governor. We studied what it was that was important  
2 to the State personnel director and it worked out very  
3 effectively that we were able to show that we had more  
4 than just housing and community development at interest.  
5 We had community involvement at interest.

6 One of the other things that I perceive  
7 and it may or may not be appropriate at this point to  
8 when we have the chance to have questions later on, but  
9 one of the things that I have perceived from working with  
10 state legislators and particularly the Colorado Legisla-  
11 ture is the lack of political involvement by employees of  
12 our companies to see that they are (a) registered. How  
13 many people here are registered? Okay. How many people  
14 went to the party caucus this year, or the first point?  
15 How many people? Two, three. How many people went to  
16 as a delegate, how many people went to their county con-  
17 vention? How many people went to the congressional con-  
18 vention within your area? Great. How many people as a  
19 delegate went to the state convention from your area as  
20 a delegate? Did you go on to the national as a delegate?

21 Well there are three of out of this group  
22 who went either to the county, congressional, or state  
23 two of whom of are from Colorado George, and I hope you  
24 noticed that John was one of them. My point being that  
25 often times we are not perceived as being involved in the

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1 political process. And I think that that is a problem  
2 that I perceive in terms of developing the third-party  
3 network. Period.

4 MR. MILLER: Thank you. We have a little  
5 problem. It's been interesting, but what's happening here  
6 is we did start at 11 o'clock and I thought we had until  
7 1 o'clock but Hamish Maxwell is beginning to speak at  
8 1:30, which means that we have to cut this short. Which  
9 means also that we had a very interesting tape that we  
10 wanted to show you from USA which was a presentation to  
11 our most important constituents, our employees in \_\_\_\_\_?  
12 A presentation made last fall by Mike Irish, Bob Moore and  
13 some other people, Jim Ffy about public affairs issues  
14 and the need to get involved in those issues through the  
15 tobacco action program. Unfortunately, we're not going to  
16 have time for that and what I'd like to do in the interest  
17 of getting onto at least a few ideas that you might have  
18 for this case study is if Dale and Tim could talk for  
19 about three minutes apiece, is that possible? It's pro-  
20 bably too much for him.

21 DALE FLORIO: Well I wanted to practice my  
22 political career today, but when you're last and people  
23 are hungry, it's easy to take credit for everything that's  
24 said before you and also be short and have everybody think  
25 you were the best speaker. So Philip Morris USA doesn't

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1 have the luxury of a regional system. And for us,  
2 constituency means quit pro quo and I think we pro-  
3 bably listened to one of the experts of quit pro quo  
4 yesterday, speaker Willie Brown. He laid it on the  
5 line and I hope nobody here was offended by his re-  
6 marks because I think that we're professional enough  
7 that we understand that that's what it's all about.

8 But it is quit pro quo and I think  
9 Bill Ruder mentioned it in his tape. That too often  
10 we are out there with our hands out, but we forget that  
11 we need to be available to our constituency friends.

12 But at Philip Morris USA not having a  
13 field force, we rely heavily on our third-party con-  
14 stituencies, especially those developed already by our  
15 sales department, by Larry Sykes in our lead depart-  
16 ment and other areas of Philip Morris USA that have  
17 worked with outside vendors, etc.

18 So very briefly, the way we approach  
19 any legislative battle because our mission of course  
20 is to defeat anti-tobacco legislation. If you just  
21 look at the inverse of a triangle and start on the  
22 top and have a broad base. You start at the top and  
23 you identify all the people in that particular that  
24 might be able to help you. Then you get get down to the  
25 bottom of the triangle, you slowly assess those folks

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1 that can be the most effective for you.

2 A brief example so I can keep under  
3 my 3 minutes. In 1981 in the Tidewater region of  
4 Virginia, 6 cities, Portsmouth, Hampton Roads, several  
5 others, all agreed at one time to raise their cigarette  
6 tax by 5 cents. We started out at the top of our tri-  
7 angle. We identified bankers in the area, folks that  
8 shipped tobacco, folks that carried tobacco to and from  
9 major cities across the country. We identified the major  
10 business associations and as we came down the triangle,  
11 we finally realized that the people that could press  
12 the right button and talk to the mayors of those cities,  
13 there could suggest to them that they not raise their  
14 cigarette by 5 cents were the people that actually bring  
15 the tobacco in and out of the Hampton Roads region, the  
16 major shipping lanes for tobacco in the United States.

17 And once we finally got to the bottom of  
18 our triangle, and we realized that those were the people  
19 and we got them on board, within a couple of weeks we  
20 were able to turn the whole thing around from a situation  
21 that looked completely hopeless and where all the mayors  
22 agreed again not to raise their cigarette tax by 5 cents.

23 So here was a situation where we identified  
24 our constituents. We communicated our message and we finally  
25 won.

1 Now on the flip side of that as Bill  
2 Ruder indicated, there is the quit pro quo and since  
3 then we have been very responsive to those folks that  
4 have helped us out. We've also maintained lifelong  
5 allies for us in the future.

6 Thank s Allan.

7 MR. MILLER: Excellent. Now three minutes  
8 from Tim Rothermel about the rest of the world.

9 MR. TIMOTHY ROTHERMEL: Allan, it's going  
10 to be 2½, I'll surprise you.

11 What I find fascinating is this listing  
12 of the presentations here along the table and there's  
13 such a common theme, the techniques of our very much alike.  
14 And the same thing I think applies to Philip Morris, Inter-  
15 national, even though we're involved in 170 markets. And  
16 some of those markets present much more difficult problems  
17 than the U.S. market in terms of taxation or some of them  
18 we're even excluded from or we're just still knocking on  
19 the door.

20 The techniques that Bill Ruder had been  
21 mentioned earlier and that had been discussed up here  
22 this morning are the same. And I want to give three very  
23 quick and brief examples.

24 One of them, we've heard the word crea-  
25 tivity an awful lot. One thing that we have begun about

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1 14 months ago in Philip Morris, International was the  
2 creation of a new international organization and assoc-  
3 iation called the American European Community Association,  
4 the New York Society of International Affairs. And through  
5 those vehicles we have brought some 25 leading world states-  
6 men to New York. We've had a chance to not only help  
7 Philip Morris business from within their respective coun-  
8 tries, but we've also enabled the business community,  
9 the larger business community - banks, law firms, etc.,  
10 to get involved with these statesmen, and it has served  
11 a pretty good public interest purpose of better under-  
12 standing.

13 Bill Ruder talked about the use of  
14 existing organizations. So did Jeannine. One of the  
15 existing organizations at International scale we have  
16 to deal with is The World Health Organization where we  
17 get hit over the head quite frequently.

18 Again about a year ago, we decided to  
19 inter-  
20 take advantage of the national organization, the Food  
21 and Agriculture Organization. And through a gradual  
22 process of beginning to meet delegates from tobacco  
23 growing developing countries to educate them and sur-  
24 prisingly they weren't educated about the economic  
25 significance of tobacco with a couple of follow-up visits,  
we're now at the stage where we are talking to ministers

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1 of agriculture in capitals, ministers of economy in  
2 finance, about standing up and being counted in the  
3 World Health Organization when issues involving our  
4 products come up.

5 The last thing is take advantage of  
6 some opportunities as they arise and one of the exam-  
7 ples happened about three weeks ago at the Republican  
8 National Convention when we had the good fortune to  
9 be able to arrange a meeting with 30 of the leaders of  
10 the majority party in the German Bundestag and for a very  
11 low cost arrange a breakfast meeting with Senator Mathias.  
12 It was as far as the 25 German parliamentarians, it was  
13 the highlight of their week in Dallas.

14 We have some friends that can be called  
15 on. We have a constituency.

16 I guess to summarize it, Allan, I would  
17 say that one element of importance to me is that nothing  
18 has to be terribly costly. You can put on a breakfast  
19 pretty cheaply. You can charge somebody \$50 or \$100 to  
20 come to a luncheon, you pretty well cover your cost.  
21 So it's more creativity and less cost.

22 I have one final comment, and that is  
23 that you should also know that the chairman and I have  
24 discussed the case and we both love bunnies.

25 MR. MILLER: I'm sure you have a couple of

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1 questions and we have until a quarter till one. Other-  
2 wise you people miss lunch. And I don't want to be known  
3 as the person that caused 65 people to miss lunch because  
4 that would be awful. But I'm sure you have some questions  
5 and we can handle questions for a few minutes and then  
6 while you were doing that, you could be thinking of ideas  
7 for third-party support over the cosmetic company issue.  
8 Any questions?

9 QUESTION: (DOROTHY) (Not heard).

10 \_\_\_\_\_: How do we deal with  
11 that with the forum? I'm not certain that I understand  
12 the question completely. A good example is labor. Good  
13 point, maybe the forum needs revising.

14 BOB: (Not heard).

15 MR. MILLER: I just want to underscore  
16 the point Bob made about retirees. When I was in USA,  
17 working in the Tobacco Action Program, we used to invite  
18 retirees of USA to get involved in the issues. And most  
19 of the retirees that we uncovered were located in the  
20 tobacco-producing states. And you wouldn't believe  
21 the letters you would get, the ideas that they would  
22 come up with, the things that they would be willing to  
23 do -- write letters to the editor, launch petition drives,  
24 please let me know what I can do to help the industry.

25 And I'm sure it's true of most of our companies where you

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1 have these people that have time on their hands, they  
2 want to get involved. And the interesting thing is that  
3 the older you get the more likely you are to register  
4 and vote. And so they're also quite powerful.

5 I'm now going to go into the case study.  
6 I think you've all had a chance to look at the case study.  
7 One of the things I just wanted to add before we begin  
8 was Dorothy Collin pointed this out to me, you may not have  
9 seen this in Monday's paper, but it was in Monday's Times  
10 and it was as if Emily Leonard had planted this in the  
11 paper, but it's a rather gruesome ad put out by the Inter-  
12 national Society for Animal Rights, Inc. pointing out all  
13 of the horrors of what cosmetic companies are doing with  
14 regard to testing of rabbits. And it's interesting, they're  
15 not threatening legislation as the case study does, but  
16 what they're doing is they're urging readers to write to  
17 the Trade Association, the Tobacco Institute if you will,  
18 of the cosmetic industry and to let them know that you as  
19 a citizen are not impressed by the industry's grants to  
20 search for alternatives. The industry in the article  
21 has made grants to search for alternatives to using rabbits.  
22 Demand that the use of animals for the testing of cosmetic  
23 products and ingredients be stopped now.

24 Any ideas on who cosmetic company can reach  
25 out to to defend itself and prevent passage of a bill that

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1 would put it out of business?

2 Sportsmen's organizations.

3 (Not heard).

4 One of the things in the article, again  
5 it's kind of interesting because the case study limits  
6 to just one company, but as you can see there are many  
7 companies that make cosmetics. And one of the things  
8 we did prior to this study is that Dorothy and I looked  
9 at Moody's and Dunn And Bradstreet's and looked out and  
10 covered a whole slew of companies. So we could assume  
11 that all of these companies belong to that trade associ-  
12 ation. So this would probably not be a unilateral effort,  
13 it would be an industry-wide effort. So what would you  
14 do first?

15 And within your own industry, who would  
16 you go to first? Your employees. And we want to of course  
17 educate them. And all of this assumes that you would have  
18 done some homework prior to thing bursting on the scenes.  
19 You would have fact sheets, you would have arguments that  
20 you could give your people, not only your employees but  
21 people outside the company, not necessarily condoning this  
22 but saying there are arguments and they're fine. But you  
23 go to your employees first. Who else?

24 (Not heard).

25 The answer there was veteranarians associations

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1 and get them to testify.

2 \_\_\_\_\_: All the input suppliers  
3 that are benefitting by selling goods and services to  
4 the cosmetic firms.

5 MR. MILLERS: Suppliers? Could you give  
6 some exxxmples of some kind of suppliers?

7 \_\_\_\_\_: The bunny breeders  
8 Association; the food that rabbits eat. Lettuce. Carrots.  
9 \_\_\_\_\_: Customers.

10 MR. MILLERS: I knew this would degenerate.  
11 Okay, what you're talking about as I said at the beginning,  
12 it's an interesting issue. And I wish we had more time to  
13 talk about it because it is an emotionally charged issue.  
14 And it's a tough fight. When you read the ad here, who  
15 talks about rabbits not having eyelashes and so that they  
16 don't have any tear ducts and they can't withstand this.  
17 That in fact many more of them are than cosmetic  
18 companies would like to....

19 And the other interesting point, \_\_\_\_\_  
20 does not inquire or require cosmetic companies to go through  
21 this kind of testing on these animals. But you're dealing  
22 with an applé pie motherhood issue. And (not heard)...  
23 and the argument is evident is that they did not test  
24 these products sufficiently. T<sup>H</sup>at there could be danger to  
25 human health.

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1                                   And we thank you very much. I wish we  
2   had more time to do this, but. (Applause).  
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